# Chapter 12. Financial Conditions and Mitigation Program Outline

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# Chapter 12. Financial Conditions and Mitigation Program Outline

## CURRENT FINANCIAL CONDITIONS

This chapter details current financial conditions for the City of Seattle's transportation programs and projects and outlines a pilot program to examine how the City could mitigate transportation impacts from new development.

### Seattle Transportation Funding and Prioritization Process

Seattle Transportation's services, projects and programs are funded through a variety of revenue sources, including local City funds, state gas tax revenues, vehicle license registration fees, state and federal grants, Public Works Trust Fund loans, partnerships with private organizations and other public agencies, and City bond proceeds.

Providing an adequate source of funding for transportation is an ongoing concern for the City. State gas tax revenues, which are shared among local governments, have not grown with the rate of inflation and Seattle's share has been, and continues to be, diluted by statewide municipal incorporations. Efforts to increase local transportation financing options for cities failed in the 2000-2001 State Legislative session.

The general priority for transportation resource allocation is outlined below, based on the City's *Transportation Strategic Plan*:

- Operations and Preventative Maintenance
- Major Maintenance and Safety
- Mobility Enhancements and Additions to the Transportation System

Seattle Transportation's goal is to fully fund the annual needs of operations and preventative maintenance services, to fund the current annual and some portion of the deferred major maintenance and safety programs and projects, and to fund some portion of the mobility enhancements programs and projects.

The City tries to balance three goals when making infrastructure investments:

- Rehabilitation of existing facilities to avoid the higher cost of deferred maintenance (also called Major Maintenance);
- Increase in the capacity of exiting facilities to meet growing demand (also called Development - Existing System); and
- Development of new facilities to provide additional services (also called Development – Future System).

**Figure 12-1** shows how Seattle Transportation's CIP allocated funding to these three areas in 2001. In developing the Transportation Capital Improvement Program (CIP), Seattle Transportation uses the following process to select projects for funding.

### Project Identification

Seattle Transportation identifies potential projects based on a variety of sources, including:

- Computer-based analysis of pavement conditions;
- Field surveys of signals, structures and other elements of the transportation system;
- Neighborhood plans and studies, and the *Transportation Strategic Plan*;
- Requests from citizens and neighborhood groups; and
- Analysis of special focus areas, such as freight mobility.

### Project Screening

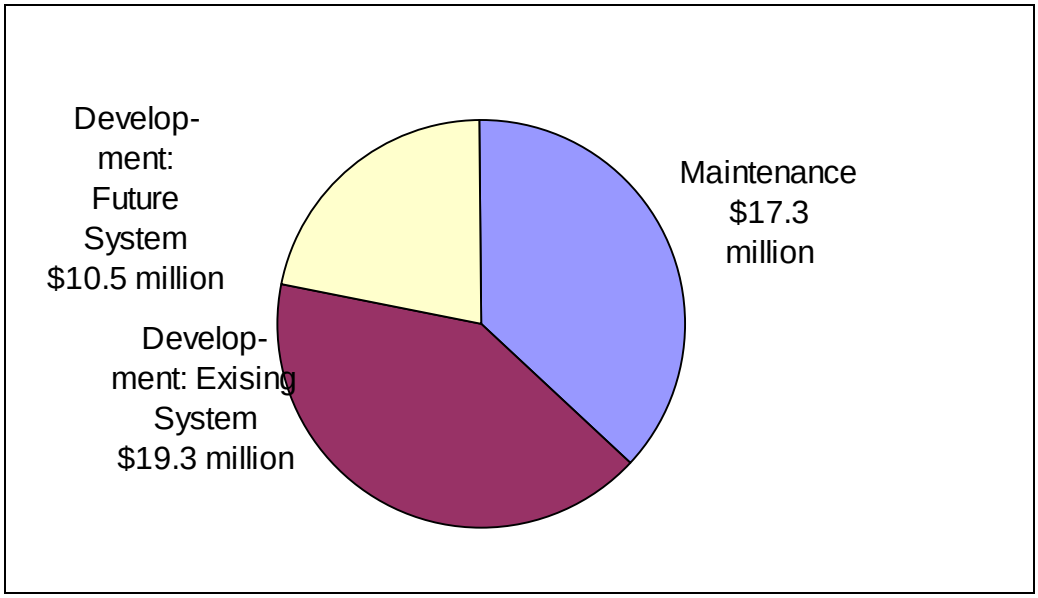
Within the framework of the adopted Transportation Strategic Plan, Seattle Transportation assesses potential projects against the following specific criteria:

- Contribution to the maintenance and preservation of the existing transportation system;
- Reduction of major traffic hazards and enhancement of safety; and
- Increase in overall mobility.

### Grant Evaluations

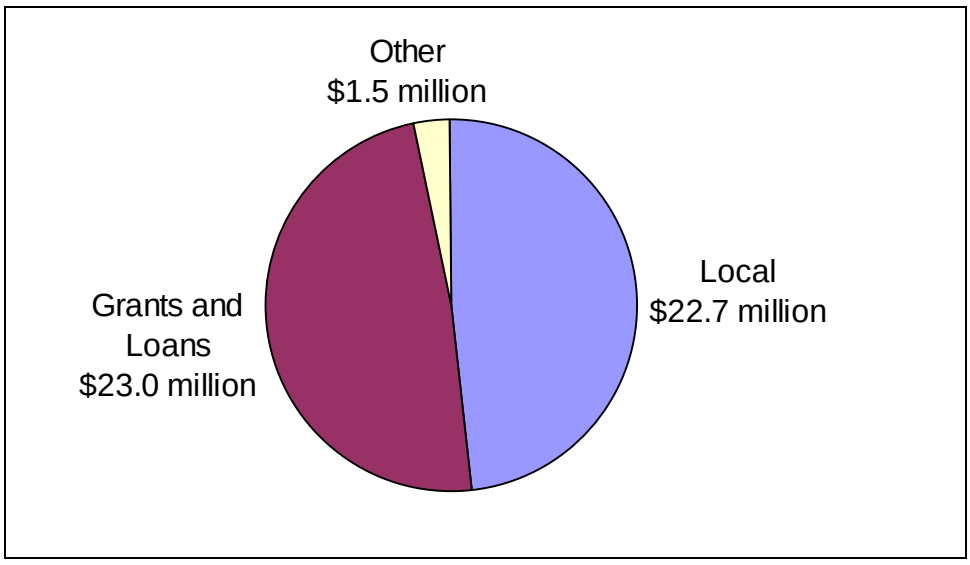
Seattle Transportation actively pursues opportunities to obtain state and federal grant funds, but must consider the demand on local funds that these grant-eligible projects create, and balance that demand with other needs. Grants funds are only available for capital projects.

**Figure 12-1. 2001 CIP by Program Category**




Source: Seattle Transportation Department, 2001.

**Figure 12-2. 2001 CIP by Fund Source**




Source: Seattle Transportation Department, 2001.

### Project Prioritization

Finally, Seattle Transportation ranks potential projects and programs through a tiering process that compares the demands for operations, preventative maintenance and capital dollars for major maintenance and safety projects, and for mobility projects against the available funding to create a proposed spending plan that is within budget constraints. The department's proposed budget is then sent to the City Council for adoption.

## Funds Available for Transportation Projects

Seattle Transportation funds its projects and programs through a variety of sources, including local funds, state and federal grants, partnerships with other agencies, and debt financing. **Figure 12-2** shows the proportion of each for the year 2001.

### Local Funds for Transportation Projects

Local revenues include General Fund, Cumulative Reserve Fund, Gas Tax and Vehicle License Fee. State or federal grants never cover the full amount of a CIP project, so local funds must be dedicated to each project to meet grant requirements and provide full funding. **Table 12-1** outlines local revenue sources in the 2001 CIP.

### Table 12-1. Local Revenues

| Local Funds in 2001 CIP | | |
|---|---|---|
| Source | Amount | Notes |
| Gas Tax – Arterial City Street Fund (ACSF) | $1,736,000 | Restricted to capital improvements and repair of arterials and City streets. |
| Gas Tax - City Street Fund (CSF) | $8,119,000 | May be used for any street or road purpose, including maintenance. |
| Cumulative Reserve Fund | $3,536,000 | Normally $2.9 million, but 2001 included extra for neighborhood projects. |
| General Fund | $6,786,000 | Varies greatly from year to year |
| Vehicle License Fees | $2,556,000 | Can be used for both CIP and operations and maintenance (O&M). |
| **Total** | **$22,733,000** | |

Source: Seattle Transportation Department, 2001.

### Grant and Loan Funding Sources for Transportation Projects

Seattle Transportation aggressively pursues state and federal grant funds for transportation projects. The Transportation Improvement Board is the major source of state grants and is funded through bonds backed by gas tax revenues. Federal grants are funded through a 6-year appropriation (the current version is called TEA-21) and are distributed and administered at the state and regional levels. The state-sponsored Public Works Trust Fund awards very low-interest loans for some bridge and road projects. While these sources can provide significant funds for transportation projects, the number and size of grant and loan awards is neither consistent nor predictable. **Table 12-2** shows the grant and loan funding sources and average annual dollars provided for the City of Seattle.

## Incorporating UATS Recommendations into Seattle Transportation's Planning/Funding Process

All Early Action, High Priority and Medium Priority recommendations in the University Area Transportation Study (as outlined in Chapter 10) were screened against the available funding opportunities, including local and grant sources. Improvements that can be implemented through currently funded programs or projects have been identified. Improvements that need grant funding or reprogramming of local funds will be added to Seattle Transportation's list of unfunded projects and programs and will be considered for funding as opportunities arise. This list currently includes approximately $135 million per year in unfunded major maintenance, safety, and mobility projects and programs; Seattle's needs far exceed the resources required to realize them. A key next step for the UATS is to better integrate the projects identified in this Study with programming efforts in order to maximize opportunities to fund improvements through existing and new sources.

# MITIGATION PROGRAM TO FINANCE TRANSPORTATION CAPITAL FACILITIES

In addition to public funding of transportation projects, many communities also use mitigation of private development projects as a way to help finance transportation projects. As discussed in more detail below, the City has used the UATS as an opportunity to reconsider the way that Seattle mitigates transportation impacts. A new mitigation program provides opportunities to both improve the development review process to create more certainty to developers and add financial resources to help fund needed transportation improvements. As part of the UATS project, the project team worked with City department directors and senior level staff from several City departments to prepare a work plan to develop an improved mitigation system. The provisions in the work plan are

outlined below, and work is expected to proceed on this in 2002. An important next step for the UATS will be to assess the results of this work in relation to being able to finance the transportation improvements outlined in this report.

### Table 12-2. Major Grant and Loan Funding Sources for Transportation Projects

| Grant Source | Types of Projects | Average $ Per Year |
|---|---|---|
| **Transportation Improvement Board (State)** | | |
| • Arterial Improvement Program | Intersection, signal, safety, with some paving and ped improvements | $4,300,000 |
| • Transportation Partners Program | Multiple funding partners, freight mobility | $1,300,000 |
| • Ped Safety and Mobility Program | Sidewalks | $200,000 |
| **TEA-21 (federal)** | | |
| • Regional | Regional priorities, arterial and multi-modal | $3,600,000 |
| • Countywide | Local priorities, arterial/major maintenance, some programs | $3,000,000 |
| • Federal Transit Administration (FTA) | Transit (monorail, streetcar) | $550,000 |
| • Enhancements | Bike, ped, historic preservation | $380,000 |
| • Statewide Competitive | Emphasis on freight | $1,360,000 |
| • Hazard Elimination | Spot safety improvements | $200,000 |
| • Bridge Advisory Committee (BRAC) | Specific to bridges | $2,500,000 |
| • National Highway System (NHS) | Preservation on NHS routes | $1,000,000 |
| Public Works Trust Fund Loan | Infrastructure major maintenance; bridge projects | $2,000,000 |
| | **Annual average (actual total varies each year)** | **$20,390,000** |

Source: Seattle Transportation Department, 2001.

## Introduction to UATS Mitigation Program

Development and redevelopment usually create impacts on transportation. The direct impacts typically take the form of increased use of transportation systems and programs, including roads, transit, bicycle, pedestrian, parking and ride sharing. The increased use of one or more of these modes of travel consumes valuable resources, and some modes become so congested as to be less effective and efficient for moving people, freight and goods. Other less direct impacts can include decreased safety for travelers, and increased air pollution for the community as a whole.

Up until the 1970s, many communities accepted the cost of transportation infrastructure in order to promote growth. Since then, communities have increasingly questioned the value of unmitigated impacts of growth, and many have developed mitigation programs to require development and redevelopment to offset some or all of its impacts on transportation.

The City of Seattle presently uses Washington's State Environmental Policy Act (SEPA) as the basis for its mitigation program. However, the City's current use of SEPA tends to take a piece-meal or "development by development" approach to transportation improvements, rather than a more desirable big-picture or comprehensive approach. The UATS, in conjunction with another subarea transportation analysis occuring in South Lake Union, creates an opportunity to improve the City's mitigation program as a pilot project in these parts of Seattle.

### What is Meant by "Mitigation"?

"Mitigation" is a one-time obligation by new development and redevelopment to provide capital improvements or programmatic alternatives to the transportation system, or to pay governments for the capital cost of public facilities or transportation programs that are needed to serve new development and the people who occupy or use the new development.

Local governments typically require mitigation for the following reasons:

- to obtain transportation facilities or revenue to pay for some of the cost of transportation facilities that serve new development; and
- to implement a public policy that new development should pay a portion of the cost of transportation facilities that it requires, and that existing development should not pay all of the cost of such facilities.

The US Supreme Court and several Washington laws establish the legal requirements and limitations on a mitigation program. In 1994, the United States Supreme Court ruled in Dolan v. City of Tigard (Oregon) that exactions made by governments must be "roughly proportional" to the impacts caused by the development that is subject to the exaction. Synonyms for "roughly proportional" include (1) "rational nexus of benefit" between mitigation and development, and (2) "proportionate share" of public facilities to be provided or paid by mitigation.

Washington's mitigation laws include the State Environmental Policy Act (SEPA), Growth Management Act (GMA), Local Transportation Act, Transportation Benefit Districts, and Road Improvement Districts.

In developing the mitigation work plan, the City's project team and consultants will work with the City's Law Department to ensure that any proposed mitigation system is consistent with federal and state statutes and case law.

## Guiding Principles for Mitigation Program

The City's project team met in 2001 with City department directors and senior staff to develop an outline of the pilot mitigation program. Guiding principles were established for the work that will continue in 2002 and 2003. This framework directs that Seattle's mitigation program should be multi-modal, targeted geographically, based on a long-term plan for transportation improvements, and structured to maximize mitigation from development other than low-income housing and alternative mode transportation facilities.

- The mitigation program will cover all the significant mode choices, including roads, transit facilities, bicycle, pedestrian, and ride-sharing programs.
- The City's mitigation program will begin as a pilot project for the University area and South Lake Union. The mitigation program, when more fully developed, could potentially apply to projects in the University District as identified in this study; transportation analysis in South Lake Union will be completed in late 2002. Depending on the results, it could also be applied to other parts of the City when appropriate.
- One important issue in assessing the mitigation program's applicability to development and its impact will depend on the origin and destination of the travel impacts created by new development. There are several possible combinations of origins and destinations for trips, including trips that start and end in the University District and pass-through trips. As the mitigation program is further developed, the City will assess which of the possible types of trips will fall under the mitigation program. This will also suggest the extent of the area where the mitigation program would apply.

- The basis for mitigation in the University area (and ultimately any other pilot area) will be 10-year lists of transportation improvements for each mode of travel. Lists of improvements provide the basis for identifying "specific adverse impacts" pursuant to SEPA, and "system improvements" authorized by GMA. The transportation improvements outlined in Chapter 10 would be the basis for any areawide mitigation program for development in and around the University area.
- The City's mitigation program should identify the maximum mitigation that is defensible under the laws used to develop it. However, some form of credit or other offset can be given for trip reduction by development. Exemptions, or deep discounts, could be given to low-income housing and transportation facilities such as transit centers. The mitigation program will also evaluate exemptions for small businesses, and "credits" or offsets for effective transportation management plans.

## Components of the Mitigation Program

After establishment of the guiding principles for the mitigation program, the City's project team developed a work plan to prepare a mitigation program for the City. City department directors and senior staff endorsed the work plan and staff expect to be completed by spring 2003. The work plan for the pilot mitigation program will include six components:

### 1. Transportation Improvements

Mitigation programs need to identify the "solutions" that will constitute partial or complete mitigation of the impacts of development and redevelopment.

The UATS study includes 10-year lists of transportation improvement "solutions" for each mode of travel in the pilot area. Some of the transportation capital improvements can be used as the basis for the mitigation program. A similar type of analysis will be completed in South Lake Union in late 2002.

### 2. Methodology for Calculating Mitigation

The mitigation program for the UATS pilot area will include tables of mitigation amounts for each mode of travel for different types of development and redevelopment. The tables will provide predictability for mitigation requirements and avoid the time and expense of special studies to determine mitigation obligations of each development project. The detailed methodology, including specific algorithms and/or formulas used to develop each table, will be described in a separate report to be completed by mid-2002.

The methodology establishes the connection (i.e., nexus or proportionate share analysis) to demonstrate the relationship between the proposed mitigation and the impacts that are being mitigated.

3. Economic and Competitiveness Analysis

An important component of Seattle's pilot mitigation program will be to assess how proposed mitigation rates compare to other local governments in the region, and how the costs of a new mitigation system would compare to the costs borne by new development due to the way Seattle currently mitigates development impacts. .

4. Drafting and Adoption of Legislation

Any revised mitigation program would be implemented by one or more ordinances. The ordinances will be consistent with the legal requirements of appropriate statutes, and applicable court decisions. Staff expect to bring legislation forward for City Council consideration in late 2002 or early 2003 after public hearings.

5. Public Involvement Plan

The process of considering and enacting the new mitigation program will involve the public in a variety of forms, including open houses, public forums, and the City's web site. Public forums on the pilot mitigation system will be on-going in 2002. Upcoming event information will be posted on the City's web site.

6. Implementation Guide

A guide containing the administrative procedures will support the pilot mitigation program. The guide will include a brochure and application package for applicants, forms, policies, procedures, worksheets and guidelines for easy calculation of mitigation due from each applicant, financial controls (including deposit, accounting, disbursement, and financial reporting), uses of mitigation revenues, refunds, procedures for appeals, and updates of the lists of transportation improvements.

## Next Steps in Developing the Mitigation Program

There are two next steps for the development of the mitigation program: 1) determining which projects are eligible for the mitigation program and 2) establishing mitigation rates.

1. Transportation Projects Eligible for the Mitigation Program

Eligibility for mitigation is determined by a series of analyses. The UATS evaluated potential improvements for overall suitability to meet the transportation needs of the University area. Each potential project was evaluated on six criteria on a five point rating scale, as described in Chapters 8 and 9 of this study. The overall results were used to establish the four priority groups (described in Chapter 10): Early Action, High Priority, Medium Priority, and Low Priority.

After this project evaluation, the mitigation program will need to determine whether projects provide capacity to the transportation system, because only capacity projects are potentially eligible for mitigation. Examples of non-capacity projects include safety

improvements or replacement of worn or obsolete facilities. The capacity projects will be listed separately for each mode of travel (roads, transit, bicycle, pedestrian, and combined bicycle and pedestrian projects), because each mode will use a different measure of impact to determine its mitigation amount. The projects will be listed by priority groups; each list will include the name and brief description of the project, its rating for enhancing mobility and reducing congestion, and the estimated cost.

The last step in establishing mitigation eligibility of projects is to determine whether a deficiency exists at the time the mitigation program is established. If no deficiency exists, the project is providing capacity that is available to new growth; therefore it is eligible for mitigation. If a project is devoted entirely to eliminating an existing deficiency, it is not eligible for mitigation; if a project eliminates a deficiency and also provides capacity to serve new growth, the portion of the project that is available to serve growth is eligible for mitigation.

2. Mitigation Rates

Establishing the mitigation rate schedules includes development of the methodology, specific algorithms and/or formulas, and tables of mitigation amounts for each mode of travel for different types of development and redevelopment. A first draft of this work is expected in spring 2002.